

## MINUTES

### STATE BOARD OF EDUCATION

Ladislaus B. Dombrowski Board Room  
John A. Hannah Building  
608 West Allegan  
Lansing, Michigan

December 16, 2014  
9:30 a.m.

Present: Mr. Michael P. Flanagan, Chairman  
Mr. John C. Austin, President  
Dr. Casandra E. Ulbrich, Vice President  
Mr. Daniel Varner, Secretary  
Dr. Richard Zeile, Treasurer  
Ms. Michelle Fecteau, NASBE Delegate  
Ms. Lupe Ramos-Montigny  
Mrs. Kathleen N. Straus  
Mrs. Eileen Weiser  
Mr. Craig Ruff, representing Governor Rick Snyder, ex officio

Also Present: Ms. Melody Arabo, 2014-2015 Michigan Teacher of the Year

### **REGULAR MEETING**

#### I. CALL TO ORDER

Mr. Flanagan called the meeting to order at 10:00 a.m.

#### II. INFORMATIONAL FOLDER ITEMS

1. Information on the Michigan Test for Teacher Certification Three-Year Cumulative Report
2. Information on Nominations to the Special Education Advisory Committee (SEAC)

#### III. APPROVAL OF AGENDA AND ORDER OF PRIORITY

**Mr. Varner moved, seconded by Mrs. Weiser, that the State Board of Education approve the agenda and order of priority.**

The vote was taken on the motion.

**The motion carried unanimously.**

IV. INTRODUCTION OF STATE BOARD OF EDUCATION MEMBERS

Mrs. Marilyn Schneider, State Board Executive, introduced members of the State Board of Education and the 2014-2015 Michigan Teacher of the Year. Mr. Flanagan invited audience members to introduce themselves.

V. ADOPTION OF RESOLUTION HONORING DANIEL VARNER

Mr. Flanagan said Dan Varner, who was appointed by Governor Granholm, has served as a member of the State Board of Education for more than four years, and he is concluding his term on January 1, 2015.

Mr. Flanagan said he speaks on behalf of the educators and students of Michigan who are extremely grateful for the service Mr. Varner has provided. He said Dan brought his own professional and personal perspectives to the Board table, and did so in a collaborative and non-partisan way. He said although Dan's leadership will be missed at the Board table, the citizens of Detroit, and ultimately the citizens of Michigan, will benefit from his leadership as the Chief Executive Officer of Excellent Schools Detroit.

Mr. Flanagan presented Mr. Varner with a vintage tie from Save the Children.

**Mrs. Straus moved, seconded by Dr. Zeile, that the State Board of Education adopt the resolution attached to the Superintendent's memorandum dated December 15, 2014, honoring Daniel Varner.**

The vote was taken on the motion.

**The motion carried unanimously.**

Mr. Austin said when Mr. Varner joined the State Board of Education, he was thankful that Dan was among the most thoughtful, passionate, candid, and straight forward leaders. He said Dan is an effective advocate and worker on behalf of improving education and it has been a joy to work with him. Mr. Austin thanked Mr. Varner and presented him with the Board resolution.

Mr. Varner thanked his colleagues and said it has been an absolute honor and privilege to serve with his colleagues.

The resolution honoring Mr. Varner is attached as Exhibit A.

VI. PERSONAL PRIVILEGE – MICHAEL P. FLANAGAN

Mr. Flanagan thanked Dr. Joseph Martineau, Deputy Superintendent, Accountability Services, who has been with the Michigan Department of Education since 2004. Mr. Flanagan said Joseph's expertise in assessments and psychometrics is recognized, respected, and sought after nationally. He said Joseph has accepted a position with a national organization, The National Center for Improvement and Educational Assessment, and he will be missed at the Michigan Department of Education.

Mr. Flanagan welcomed Dr. Pamela Pugh Smith who was attending the meeting. He said Dr. Pugh Smith was elected in the November 4, 2014, general election to serve an eight-year term on the State Board of Education beginning January 1, 2015.

VII. RECESS

The Board recessed the Regular Meeting at 10:10 a.m. and convened the Committee of the Whole.

**COMMITTEE OF THE WHOLE MEETING**

VIII. CALL TO ORDER

Mr. Flanagan called the Committee of the Whole Meeting to order at 10:11 a.m.

IX. PRESENTATION ON MICHIGAN SCHOOL ORGANIZATION AND FINANCE

Mr. Austin led the Discussion on Michigan School Organization and Finance. He distributed and reviewed a draft document, "Michigan State Board of Education Recommendations for Change to Michigan School Organization and Finance."

Mr. Austin said the Board received the report, "Michigan State Board of Education Recommendations for Change to Michigan School Organization and Finance," at its November 18, 2014, meeting. He said the report that the Board discussed in November was a summary of major issues driving change as presented to the Board by stakeholders with varying perspectives. He said the document being presented at today's meeting includes recommendations for change.

Mr. Austin said recommendations include a rational community driven certificate of need process of where charter schools are needed rather than a patchwork; softening the impact of rapid changes in enrollment; the need to treat all schools equally regarding transparency, accountability and opening additional schools if they are not providing a quality education.

Mr. Austin said he also appreciates the input received from Mr. Flanagan and Michigan Department of Education staff as well as the State Board of Education.

Mrs. Weiser said all statements are worthy and define real financial needs. She said Michigan's current outcomes call for an explanation of how more fulsome funding could be linked to better student outcomes in a local control state. She said Michigan Department of Education knowledge was not used in a public way. She said she cannot vote yes, because a big section is missing.

Mrs. Straus said Mr. Austin has done a remarkably good job preparing the report and the Board has heard presentations from a variety of perspectives in a bipartisan manner. She said she has concerns about the figures. She said Michigan has a high percentage of children in poverty and that means we get more federal aid which is included in the figures. She said current policies do

not make sense. She said Michigan is losing student population but increasing the number of schools and destroying the local public school system. She said better policy is needed regarding the creation of new schools. She said the proposed funding of roads at the expense of education doesn't make sense, and depending on the economy growing is very iffy at best. She said overall the report is a really good start.

Dr. Zeile said he concurs with a lot of Mrs. Straus's comments as initially stated. He said there needs to be a clear vision of educational quality and then discussion of how to fund it. He said quality can be different in different schools. Dr. Zeile said you cannot make up the difference in students by funding. He said Michigan will benefit from different curricula. He said the larger the percentage of education in Michigan's budget, the more vulnerable education is to the state economy. Dr. Zeile said the Board should avoid making statements about road funding which is outside the Board's expertise, since they are not economists.

Dr. Ulbrich said Mr. Austin did excellent work pulling information together concisely in a balanced document. She said it speaks to a range of issues in public education. Dr. Ulbrich said the Board is not asking for more money, we are asking for policies allowing us to spend the money we have wisely, and she supports the document.

Mr. Varner thanked Mr. Austin and said although the document is imperfect, something is missing for everyone. He said he believes in common enrollment systems across all governance models. He said he is supportive of the statement as an effective and necessary provocation of the issues. He said school finance is ineffective, and people may disagree about the solutions, but all would agree it is currently not effective. He said the Board's job is to lead people to the debate by detailing enough challenges to provoke discussion. He said he is a choice and charter proponent.

Ms. Fecteau said economics and education go hand in hand, and economics matters. She said she reviewed ACT and National Assessment of Educational Progress scores and Michigan is above Florida and Tennessee.

Ms. Ramos-Montigny said she concurs with what everyone has said. She said education and finance go hand in hand, and she appreciates Mr. Austin's work. Ms. Ramos-Montigny said Mrs. Weiser has political connections and her party is in the majority and has the voice and relationships that they listen to. She said Mrs. Weiser is recommending that the document includes something that speaks to better student outcomes, which is not far-fetched, and should be incorporated.

Mr. Austin said the document will draw out issues and make thoughtful recommendations to start and encourage conversation. He said he is disappointed if the document cannot be endorsed by the full Board since it was an effort to be as even handed as one could be in listening to everyone and including all points of view.

Discussion continued during the Regular Meeting.

X. RECESS

The Board recessed the Committee of the Whole at 11:00 a.m. to reconvene the Regular Meeting.

**REGULAR MEETING**

XI. DISCUSSION ON MICHIGAN SCHOOL ORGANIZATION AND FINANCE (continued)

This is a continuation of the Committee of the Whole Discussion on Michigan School Organization and Finance.

**Mr. Varner moved, seconded by Mrs. Straus, that the State Board of Education adopt the report, "Michigan State Board of Education Recommendations for Change to Michigan School Organization and Finance," as attached to the President's memorandum dated December 15, 2014.**

Dr. Zeile said at very beginning the statement was made that the school funding model is broken. He said he does not support the premise, but he would support things in the document. Mr. Austin said the language is not included in the current document.

Mrs. Weiser said there is a missing piece including how to take a local control state and put more money in and get better outcomes.

Mr. Varner said school finance in Michigan is not effective. He said everyone will not agree with everything in the report, but it is a first step meant to provoke a vital conversation in Michigan.

Mrs. Straus agreed with Mr. Varner.

Mr. Austin said he is committed to the improvement effort and continued work.

The vote was taken on the motion.

**Ayes: Austin, Fecteau, Ramos-Montigny, Straus, Ulbrich, Varner  
Nays: Weiser, Zeile**

**The motion carried.**

"Michigan State Board of Education Recommendations for Change to Michigan School Organization and Finance." is attached as Exhibit B.

Mr. Ruff joined the meeting at 11:06 a.m.

XII. RECESS

The Board recessed the Regular Meeting at 11:06 a.m. and convened the Committee of the Whole.

## **COMMITTEE OF THE WHOLE MEETING**

### **XIII. PRESENTATION ON TECHNOLOGY READINESS INFRASTRUCTURE GRANT DATA INTEGRATION ACTIVITY**

Dr. Venessa Keesler, Deputy Superintendent, Education Services; Ms. Linda Forward, Director, Education Improvement and Innovation; and Mr. Tom Howell, Director, Center for Educational Performance and Information; presented on Technology Readiness Infrastructure Grant Data Integration Activity.

Mr. Flanagan said at the October 14, 2014, Board meeting, there was a presentation on the Technology Readiness Infrastructure Grant Data Integration Activity. He said today's presentation highlights one the grant activities focusing on the development of data hubs and the use of data to help the classroom teacher make good decisions about how to support all of the students he or she works with daily.

Information was shared via a [PowerPoint presentation](#).

Board member discussion included ownership of data, retrievable data, sharing of data, and alignment with Governor Snyder's ten prosperity regions for regional service.

### **XIV. PERSONAL PRIVILEGE – MICHAEL P. FLANAGAN**

Mr. Flanagan thanked Mr. Craig Ruff, Special Advisor for Education, Executive Office, who has represented Governor Rick Snyder at the State Board of Education table. Mr. Flanagan said Mr. Ruff is retiring and he will be missed. He said Mr. Ruff's work has been thoughtful and he has added great insights. Mr. Flanagan said Mr. Ruff's service to the citizens of Michigan dates back to Governor William Milliken's term, and it is appreciated.

### **XV. REPORT OF MICHIGAN TEACHER OF THE YEAR**

There was Board consensus to reorder the agenda.

Ms. Melody Arabo reviewed her monthly activities as the 2014-2015 Michigan Teacher of the Year via a video presentation.

### **XVI. DISCUSSION REGARDING CRITERIA FOR GRANT PROGRAMS**

There were no Board member comments regarding Criteria for Grant Programs.

### **XVII. RECESS**

The Board recessed the Committee of the Whole at 12:00 p.m. and reconvened at the Regular meeting 1:00 p.m.

## **REGULAR MEETING**

### **XVIII. PUBLIC PARTICIPATION IN STATE BOARD OF EDUCATION MEETING**

1. Ms. Jane Porath of Charlevoix, Michigan. Ms. Porath, representing the Network of Michigan Educators, provided verbal comments and written information on successfully integrating technology into 8<sup>th</sup> grade Algebra.
2. Mr. John Lauve of Holly, Michigan. Mr. Lauve provided verbal comments and written information on emergency managers, charter schools, and State School Aid.
3. Mr. Joe Vercellino of Royal Oak, Michigan. Mr. Vercellino and students Mr. Tazeon Bradley, Mr. Anthony Powell, Mr. Brian Sneed, and Mr. Gianni (no last name given) provided comments, written information, and a musical compact disc from Beasts of the Beat. Mr. Vercellino provided comments on teacher preparation, risk and the community; and the students spoke of their experiences as Beasts of the Beat.

### **XIX. RECESS**

The Board recessed the Regular Meeting at 1:30 p.m. and reconvened the Committee of the Whole.

## **COMMITTEE OF THE WHOLE MEETING**

### **XX. REPORT ON STATE SUPERINTENDENT SEARCH**

Mr. Austin reported on the State Superintendent Search.

Mr. Austin introduced Mr. Tim Quinn, who is based in Traverse City, Michigan, and is working with Ray and Associates, Inc.; and Ms. Heather Calahan, Proposal Manager, Department of Technology Management and Budget.

Mr. Austin said the Executive Office, through Mr. Ruff, has provided the financial resources to hire a search firm. Mr. Austin said the Board convened a Special Meeting on December 11, 2014, to review proposals submitted by search firms and made an overwhelming preference based on quality and cost, to hire Ray and Associates, Inc. He said the Department of Technology Management and Budget will finalize contract details, pending approval at today's Board meeting.

Mr. Austin said the Board will be asked to approve the hiring of a search firm; and Mr. Quinn will review next steps, as well as the timeline and activities. He said there will also be discussion articulating the job description and desirable qualities.

### **XXI. ADJOURNMENT**

The Board adjourned the Committee of the Whole at 1:30 p.m. to reconvene the Regular Meeting.

## **REGULAR MEETING**

### **XXII. REPORT ON STATE SUPERINTENDENT SEARCH (continued)**

This is a continuation of the Committee of the Whole Report on the State Superintendent Search.

**Mr. Austin moved, seconded by Dr. Zeile that the State Board of Education select Ray and Associates, Inc. to provide professional recruitment services for the search and recruitment of the Superintendent of Public Instruction, based on the work program included in the request for proposal submitted by Ray and Associates, Inc.**

The vote was taken on the motion.

**The motion carried unanimously.**

Mr. Quinn reviewed the job description and profile. Discussion followed.

Mr. Ruff left the meeting at 1:40 p.m.

Mr. Quinn reviewed the timeline, recruitment flyer, and salary. Mr. Quinn said an application deadline of February 19, 2015, is being recommended. He said application materials will be available on the website of Ray and Associates, Inc., and can also be linked to the State Board of Education website. Discussion followed.

Following discussion, a motion was made.

**Mr. Austin moved, seconded by Dr. Zeile, that the State Board of Education approve a base salary for the incoming Superintendent of Public Instruction in the range of \$200,000, which is negotiable based upon experience.**

The vote was taken on the motion.

**The motion carried unanimously.**

Discussion followed regarding the contract of the Superintendent of Public Instruction.

Mr. Austin said the Board will expect to see an articulation package of outreach to potential candidates for the position of Superintendent of Public Instruction, which will be provided by Ray and Associates, Inc. He said Ms. Calahan will finalize the contract with Ray and Associates, Inc. Mr. Austin thanked Mr. Quinn and Ms. Calahan.



### XXIII. APPROVAL OF STATE BOARD OF EDUCATION MINUTES

#### F. Approval of Minutes of Special Meeting of November 10, 2014

**Mr. Varner moved, seconded by Ms. Ramos-Montigny, that the State Board of Education approve the Minutes of the Special Meeting of November 10, 2014.**

The vote was taken on the motion.

**Ayes: Austin, Fecteau, Ramos-Montigny, Straus, Varner,  
Weiser, Zeile  
Abstain: Ulbrich**

**The motion carried.**

Dr. Ulbrich said she abstained from voting since she was not present at the November 10, 2014, Special Meeting.

#### G. Approval of Minutes of Regular and Committee of the Whole Meeting of November 18, 2014

**Mrs. Straus moved, seconded by Mr. Austin, that the State Board of Education approve the Minutes of the Regular and Committee of the Whole Meeting of November 18, 2014.**

The vote was taken on the motion.

**The motion carried unanimously.**

### XXIV. PRESIDENT'S REPORT

Mr. Austin thanked the Board for the extra time spent as the Board continues the search process for the next Superintendent of Public Instruction. He said the Board invites everyone to participate, and encourages all interested parties to apply based on their abilities, experience and interest in the job.

Mr. Austin said appropriate time will be taken discussing the science standards articulating why the proposed standards are the best for Michigan. He said critiques of varying perspectives will be addressed and there will be additional communication and discussion with education leadership in the legislature. He said the Board is committed to advancing the best science standards for Michigan.

Mr. Austin said he and Mr. Varner accepted an invitation from President Obama and First Lady Michelle Obama to join educational leaders from around the country committed to supporting enhanced college opportunity at a College Opportunity Day of Action on December 4. He said Vice President Joseph Biden also spoke at the White House event.

## XXV. REPORT OF THE SUPERINTENDENT

### Reports

- H. Human Resources Report
- I. Report on Modifications to the Previously Approved Hillsdale ISD Plan for the Delivery of Special Education Programs and Services
- J. Report on Modifications to the Previously Approved Washtenaw ISD Plan for the Delivery of Special Education Programs and Services

### Grants

- K. Report on Grant Awards
  - 1. 2014-2015 Evaluation for 21st Century Community Learning Centers (21st CCLC) Program – Continuation; \$390,492
  - 2. 2014-2015 Mandated Activities Under the Individuals with Disabilities Education Act (IDEA 2004), Part C – Amendment; \$1,726,549
  - 3. 2014-2015 Statewide Collaboration for Technical Assistance Grant for the 21st Century Community Learning Centers (21st CCLC) Program – Continuation; \$50,000
  - 4. 2014-2015 Training and Technical Assistance for 21st Century Community Learning Centers Program Grant – Continuation; \$607,025
  - 5. 2013-2014 Application for School Bus Driver Safety Education Program – Amendment; \$1,625,000
  - 6. 2013-2014 National School Lunch Program (NSLP) Equipment Assistance Grant – Initial; \$606,438
  - 7. 2013-2014 Safe and Supportive Schools Grant – Amendment; \$1,856,828
  - 8. 2014-2015 Application for School Bus Inspection Program – Initial; \$1,691,500
  - 9. 2014-2015 Safe Schools/Healthy Students State Planning, Local Educational Agencies, & Local Communities – Initial; \$101,400
  - 10. 2014-2015 ISD Collaboration Grant – Initial; \$180,000
  - 11. 2014-2015 Mathematics and Science Centers – Initial; \$1,999,972
  - 12. 2014-2015 Mathematics and Science Centers Curriculum and Professional Development Support for the Michigan Merit Curriculum for State School Aid Act Section 99(6) – Initial; \$750,000

13. 2014-2015 Title I, Statewide System of Support Technical Assistance Grant – Amendment; \$9,239,814
14. 2014-2015 State Personnel Development Grant Under the IDEA – Initial; \$1,386,000
15. 2014-2015 Title I, Part A Schoolwide Planning Grant – Amendment; \$150,000
16. 2014-2015 Title I, Part C Regular Year Migrant Program Allocations – Amendment; \$3,619,843
17. 2014-2015 Title II, Part A - Teacher and Principal Training and Recruiting – Amendment; \$90,313,616
18. 2014-2015 Title III, Part A - English Language Acquisition Program, LEP – Initial; \$9,063,878
19. 2014-2015 Title III, Part A, English Language Acquisition State Grants, Immigrant Students Program – Initial; \$1,599,293

Mr. Flanagan shared information on the distribution of books to the Culture of Reading grant recipients, and a video clip of the November AdvancED conference student panel focused on Learner Centric Environments.

Ms. Arabo left the meeting at 2:25 p.m.

#### XXVI. STATE AND FEDERAL LEGISLATIVE UPDATE

Mr. Martin Ackley, Director, Public and Governmental Affairs; and Dr. Casandra Ulbrich, Chair, State Board of Education Legislative Committee; presented the State and Federal Legislative Update.

Mr. Ackley said this is the last week of the Legislative session. He provided an update on pending legislation including third grade reading automatic retention, an A through F school accountability system, 1280(c) formerly known as the Education Achievement Authority bill, road funding, educator evaluation, and Michigan Public School Employees Retirement System defined benefit bills.

Dr. Ulbrich said the Board's Legislative Committee met on December 8, 2014, and the Committee is recommending Board action on transportation and education funding. She said there is concern regarding diverting funds from the School Aid fund.

**Mrs. Weiser moved, seconded by Ms. Fecteau, that the State Board of Education adopt the following statement: The State Board of Education shares the Legislature's and the Governor's concerns about road funding and infrastructure improvements. Funding solutions developed for those important needs must not be at the expense of public education, and should identify appropriate revenue sources for public school funding now and in the future.**

The vote was taken on the motion.

**The motion carried unanimously.**

XXVII. CONSENT AGENDA

- M. Adoption of Resolution Honoring Joseph Martineau
- N. Approval of Criteria for 2014-15 Consolidation of Operations or Services Grant \$2,000,000
- O. Approval of Criteria for Grant Programs for Project AWARE to Advance Wellness and Resilience in Education \$2,000,000
- P. Approval of Criteria for Grant Programs for School Climate Transformation \$600,000

Mr. Flanagan said a Resolution Honoring Joseph Martineau is on the consent agenda, and he cannot overstate the contributions made by Joseph. Mr. Flanagan said he is a kind, gentle person who has gracefully handled barbs while carrying out the law.

**Dr. Zeile moved, seconded by Mrs. Weiser, that the State Board of Education approve the consent agenda as follows:**

- M. adopt the Resolution Honoring Joseph Martineau, as attached to the Superintendent's memorandum dated December 1, 2014;**
- N. approve the criteria for the 2014-15 Consolidation of Operations or Services Grant as attached to the Superintendent's memo dated December 1, 2014;**
- O. approve the Criteria for Grant Programs for Project AWARE to Advance Wellness and Resilience in Education, as attached to the Superintendent's Memorandum dated December 1, 2014; and**
- P. approve the Criteria for Grant Programs for School Climate Transformation, as attached to the Superintendent's Memorandum dated December 1, 2014.**

The vote was taken on the motion.

**The motion carried unanimously.**

Mr. Austin presented the Resolution Honoring Joseph Martineau. Mr. Austin thanked Joseph for his strong work and guidance in subject matter that is important and requires the expertise he provided in steering people toward facts regarding how to design the best systems to help people learn.

Dr. Martineau said he has accepted a position with The National Center for Improvement of Educational Assessment. He thanked his colleagues.

The Resolution Honoring Joseph Martineau is attached as Exhibit C.

XXVIII. COMMENTS BY STATE BOARD OF EDUCATION MEMBERS

Mr. Varner said he has three comments as he concludes his term on the State Board of Education. He said he regrets that he will not be a member of the Board as they hire the next Superintendent of Public Instruction. He said the hiring of that position is the single most important thing the Board will do to improve education in the State of Michigan.

Mr. Varner thanked Department staff, Mr. Flanagan and each State Board member individually.

Mr. Varner said the experience has been wonderful and affirming. He said he was welcomed, invited and allowed to contribute to the important work of the Board. Mr. Varner wished his colleagues the best of luck in all of their future endeavors and Godspeed.

XXIX. TENTATIVE AGENDA FOR NEXT MEETING

Mr. Flanagan said Board members may contact a member of the Agenda Planning Committee with suggestions for agenda topics.

XXX. FUTURE MEETING DATES

- A. Tuesday, January 13, 2015 (9:30 a.m.)
- B. Tuesday, February 10, 2015 (9:30 a.m.)
- C. Tuesday, March 17, 2015 (9:30 a.m.)

XXXI. ADJOURNMENT

The meeting adjourned at 2:51 p.m.

The video archive of the meeting is available at [www.michigan.gov/sbe](http://www.michigan.gov/sbe).

Respectfully submitted,

Daniel Varner  
Secretary

## RESOLUTION

### DANIEL VARNER

WHEREAS, Daniel Varner was appointed to the State Board of Education by Governor Jennifer Granholm to fulfill a term from October 27, 2010 - January 1, 2015; and

WHEREAS, Dan received his high school diploma from the University of Detroit Jesuit High School; and earned both a Bachelor of Arts degree in History and a Juris Doctor from the University of Michigan; and

WHEREAS, Dan is the Chief Executive Officer of Excellent Schools Detroit, a non-profit organization dedicated to ensuring that every child in Detroit has an excellent education; and

WHEREAS, Dan served as Chief Executive Officer for the youth development organization Think Detroit Police Athletic League (Think Detroit PAL), which he co-founded as Think Detroit; and

WHEREAS, Dan worked as an attorney in Detroit, Michigan, at the Federal Defender Office and with Sachs, Waldman, O'Hare, Helveston, Bogas & McIntosh, PC; and

WHEREAS, Dan has been awarded the Jane L. Mixer Award for Contributions to Social Justice, the Manhattan Institute Social Entrepreneurship Award, and Crain's Detroit Business Best-Managed Nonprofit Award; and

WHEREAS, Dan was recognized by the Skillman Foundation as an Ordinary Hero who is an education influencer and a man on a mission to push Detroit high school graduation rates to 90 percent; and

WHEREAS, Dan was elected by her peers to serve as Secretary of the State Board of Education; and

WHEREAS, Dan is known to be a respectful, collaborative, persistent, leader and consensus builder with a passion for education, youth development and creating healthy, safe environments for children in Michigan and especially Detroit; now, therefore, be it

RESOLVED, That the Michigan State Board of Education extends to Daniel Varner its highest regard and heartfelt gratitude for the dedication and expertise he has brought to the children of Michigan, their parents, and the millions of Michigan citizens his work has affected and impacted; and be it finally

RESOLVED, That the Michigan State Board of Education expresses its fervent wish that Daniel Varner enjoys many rewarding experiences with his children Joel, Serena and Lauren, and his extended family and friends.

## **Michigan State Board of Education Recommendations for Change to Michigan School Organization and Finance**

Pursuant to our Constitutional mandate to provide policy leadership and recommendations to the Governor and Legislature regarding the financial requirements of Michigan education, in January of 2014 the State Board began a process to drive understanding of Michigan School Finance and Organization issues and needs, identify priorities, and make recommendations for change.

Over the intervening months the State Board of Education has heard detailed analyses of the issues and recommendations for change from the public, dozens of stakeholders, researchers and education policy analysts from across the spectrum. These analyses offered a variety of perspectives about challenges and problems with Michigan's current education finance model, as well as provided insights into potential solutions, including the approaches used by successful state systems elsewhere.

To inform ourselves and the public discussion of these important issues, we bring forward a summary of the major issues that demand attention, if we are to improve educational achievement in Michigan. This context is followed by recommendations for actions and changes in school finance and policy that attend to these challenges.

### **The Context Demanding Change**

#### ***Improving Michigan's Flagging Educational Performance***

Twenty years after Proposal A fundamentally altered Michigan's school finance policy, our system of organizing and financing education in Michigan is once again in need of fundamental change. The most important spur for action is the fact that once an education leader, Michigan is now in the bottom tier of states in academic achievement, and other states are racing past us in improving student performance.

While Michigan's total K-12 funding of \$12,644 per pupil is the 22nd highest in the US, (8<sup>th</sup> if adjusted for per capita income), our rank on the *Nation's Report Card* NAEP math and English scores hover around 38<sup>th</sup>. Michigan now ranks in the bottom five states for learning progress in fourth grade reading and math over the last decade; and has seen all groups of students, white, African-American, Latino, low and high income – fall in the comparative ranks of student achievement.<sup>1</sup>

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<sup>1</sup> Education Trust Midwest: *Stalled to Soaring*, April 3, 2014

## ***Education Funding Trends***

The debate about the level of investment in Michigan public education, and the appropriate level of investment to support learning, is contentious. Some states that spend relatively more are doing better, like Massachusetts; while it is also true that some states that spend less are seeing faster learning gains, like Florida. Many districts with relatively high levels of funding, struggle academically, while there are “Beating the Odds” schools that receive Michigan’s lowest foundation grant, but are using it to rapidly increase student achievement. Some facts about Michigan’s funding dynamics:

- In real inflation-adjusted dollars Michigan’s spending on K-12 education has declined 16% from 2004 to 2014.<sup>2</sup>
- The overall “level of effort” – state and local revenues spent on K-12 education as a percentage of Michigan’s personal income – has dropped from 4.1% to 3.4% over the past ten years<sup>3</sup>.
- State funding is up in nominal dollars \$1 billion from four years ago, but, in the words of the respected non-partisan Citizens Research Council (CRC): “the increase is almost exclusively earmarked to satisfy school employee retirement costs”, and, “MPSERS costs, on the aggregate, have grown significantly over the five year period, and the share of the foundation allowance available for other typical classroom expenses has increased very modestly, but has not kept up with general inflation.”<sup>4</sup>

## ***Declining Enrollments Interacting with Choice Policy, Charter/Cyber School Expansion Policy***

With funding flowing largely through the per pupil foundation grant, the financial condition of schools and performance of Michigan’s school children is affected directly by enrollment changes.

- Michigan has seen overall declining enrollments from a high of 1,714,867 students in 2003, to a current 1,523,300, a decline of 11% over ten years.<sup>5</sup>
- This has been coupled with an increase in the numbers of schools. Michigan has gone from 560 to nearly 800 school districts over the past 20 years.<sup>6</sup>

Statewide declining enrollments combined with choice and charter policy have seen significant swings in enrollment, and hence the financing available for particular schools. For most this movement has been down.

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<sup>2</sup> Center for Michigan, *Community Conversations Issue Guide*, April 2014, citing “Changes in State Appropriations” Memo, House Fiscal Agency, 2013, (<http://www.house.michigan.gov/hfa/>)

<sup>3</sup> Michigan School Organization and Finance, Presentation to the State Board of Education, Phil Kearney and Mike Addonizio, February 11, 2014

<sup>4</sup> CRC Memorandum: *Making Sense of K-12 Funding*, October 2014. (Public School Academies, or charter schools are their own school districts, which explains most of the increase).

<sup>5</sup> Citizen Research Council presentation to State Board of Education, Michigan School Organization and Finance, March 11, 2014

<sup>6</sup> Citizen Research Council presentation to State Board of Education, Michigan School Organization and Finance, March 11, 2014



- According to the CRC, 420 of Michigan's charters and traditional public school districts have seen declining enrollments over the last ten years, versus 125 with increases.
- Over the most recent five years, 70% of all districts saw some amount of enrollment decline and over one-quarter of all districts had declines of 10% or more<sup>7</sup>.

According to the CRC, these trends have contributed to an increase in student-teacher ratios in two-thirds of districts<sup>8</sup>, and in the extreme cases, contributed to the declining quality and enrollment 'death spiral' that has brought over 50 school districts into deficit. The decline in statewide pupil enrollment has also been the second biggest factor driving the increase of employer contribution rates for unfunded accrued liabilities.<sup>9</sup>

Given these trends, what is the overall fiscal condition of most schools today? Again, here's the CRC's assessment:

*"While the amount of per-pupil funding is up, districts are paying higher retirement bills. This leaves fewer resources for other school expenses. Also, total funding at the district level is greatly influenced by the number of students enrolled. Because declining enrollment is a pervasive issue across the state, the vast majority of traditional public school districts must manage the fiscal effects of having less non-retirement funding to operate."*<sup>10</sup>

### ***Need to Spend "Smarter"***

Michigan's poor performance is not fully explained by the overall investment or dollars available for public education in particular public schools – whether charter or traditional – but how that money is spent. States that are improving in educational performance are doing so by more strategically investing in high yield approaches that support improved outcomes, including teacher quality improvements, extra support for poor and at-risk students<sup>11</sup>, structured school turnaround efforts, and enhanced early childhood education<sup>12</sup>, where Michigan *has* made headway.

Michigan has made many of the same significant reforms as higher performing and faster improving states: from more rigorous learning standards, to new teacher quality and evaluation expectations, to demanding accountability provisions. What Michigan *has not done* that other more successful states have done, is combine these reforms with the investment and capacity-building necessary to implement them effectively.<sup>13</sup>

<sup>7</sup> CRC Memorandum: *Making Sense of K-12 Funding*, October 2014

<sup>8</sup> Citizen Research Council presentation to State Board of Education, Michigan School Organization and Finance, March 11, 2014

<sup>9</sup> House Fiscal Agency, Analysis of SB 620, 9/18/12.

<sup>10</sup> CRC Memorandum: *Making Sense of K-12 Funding*, October 2014 p.7

<sup>11</sup> In "Equity is the Key to Better School Funding", Education Week, March 28,, 2014, a Boston Consulting Group study finds: "By far the most statistically robust finding in our analysis was the role of increased funding equity in student outcomes. Equity should require that every student receives sufficient resources to have the same chance to succeed, rather than that every child gets the same level of funding."

<sup>12</sup> *Stalled to Soaring, Michigan's Path to Educational Recovery*, The Education Trust Midwest, 2014

<sup>13</sup> Bridge Magazine, *Smartest Kids: What Michigan Schools Can Learn from Leading States*, October 14, 2014

## ***Holes and Flaws in Proposal A and New Problems with Michigan School Finance System***

Finally, the State Board's year-long examination of challenges to our Michigan education system also revealed a number of other significant features driving both financial and performance challenges in our schools:

- Holes and flaws in Proposal A that provide no state support for school buildings and technology<sup>14</sup>; and have led to differential tax treatment of similar local properties that affect revenues available for education.
- A strategy built into Proposal A – the regional 3 mill levy opportunity – envisioned to support local communities who chose to invest more in their schools, that has not worked in practice.
- Funding and pupil accounting system that serves to discourage, not encourage, participation in dual enrollment and early college programs that are very effective at improving learning outcomes for both at-risk and high-achieving students.<sup>15</sup>
- Mushrooming costs of the retirement system: Proposal A shifted full responsibility for funding MPSERS to school districts. A combination of factors, from declining enrollments, fewer employees in the system, and the market financial collapse have meant the total unfunded accrued liability for MPSERS increased from \$12 billion in 2009 to \$25 billion. To cope with this reality total MPSERS specific funding, including new state funding, has increased five-fold from \$155 million in 2012 to \$883 million today<sup>16</sup>.
- Significant and growing disparities in special education funding and services between districts. The per pupil spending for special education students are now \$14,397, versus \$9,633 for all K-12 students, and the cost difference has grown significantly since Proposal A<sup>17</sup>; and spending differences between ISDs are now great.

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<sup>14</sup> Michigan School Organization and Finance, Presentation to the State Board of Education, Phil Kearney and Mike Addonizio, February 11, 2014

<sup>15</sup> Community College Research Center; What We Know About Dual Enrollment, 2012, and Early College Continued Success, Early College Impact Study, AIR, 2014

<sup>16</sup> CRC Memorandum: Making Sense of K-12 Funding, October 2014

<sup>17</sup> Citizen Research Council presentation to State Board of Education, Michigan School Organization and Finance, March 11, 2014

## **Recommendations for Change**

While renewing our efforts to provide the consistent support and level of effort for public education envisioned by the architects of Proposal A, Michigan must also change the way we spend money, combining strategic investment with reforms that ensure the investment supports learning gains. We must change an inchoate school choice and charter policy to an approach that works to improve learning and outcomes for all students, and buffers the financial shocks from enrollment changes. Michigan also must fix important flaws that have always existed in Proposal A – from the lack of state support for school infrastructure and technology; to the inability of local schools to raise additional local resources for public education. Finally Michigan needs new treatment of emerging special education and retirement costs; that impact resources and performance in Michigan classrooms.

The State Board of Education asks the next Administration and Legislature to work with us to make school organization and finance change a priority, and modify our system in the following directions that can help Michigan retake leadership in learning, and improve student outcomes.

Priorities for education finance and organization system reform include:

### ***Consistent Level of Effort for Education***

Ensure predictable funding for K-12 education that maintains a consistent level of state effort and budget priority. The architects of Proposal A, on a bi-partisan basis, hoped that it would create a funding system that was both more equitable, but also durable in providing a consistent flow of resources to public education, in good times and bad. Since that time Michigan has been through hard economic times, made changes in tax and budget policy, as well as use the School Aid Fund to support other priorities – all of which have affected the bottom line for K-12 education. There is no right magic number for school funding, but the strong bi-partisan support for healthy education investment and a predictable flow of resources suggests support for this funding priority is strong.

We recommend, as comprehensive school finance reform is considered and to maintain education as a budget priority, the Governor and Legislature publically set a target for the annual “level of effort” in terms of state investment, and stick with it. This could be a target for spending as a share of the state’s per capita income, or total tax revenues.

We also recommend the state should return to the policy of protecting the school aid trust fund from being used to fund other priorities.

## ***Spend Smarter***

Michigan needs to make a deeper investment in K-12 education, but not to fund the status quo. Michigan can strategically invest dollars it does spend on strategies demonstrated to improve learning performance.

### Differential Funding

Michigan should follow the example of high-performing states and move away from a one-size fits all foundation grant and develop a new funding formula – that provides differential funding based on costs and educational returns from different types of instruction and schools, and the differential needs of students. Michigan does have law providing categorical support for at-risk students at 11.5% of the foundation grant; however the actual money appropriated has remained fixed since 2009, and not keeping up with growing at-risk student numbers, meaning actual per pupil at-risk funding equals 7% of the foundation grant.

Important features of a differential funding system should include:

- Enhanced differential funding for at-risk, economically disadvantaged students;
- Differences in cost based on geography (urban, rural), transportation costs, cost of living, and other variables.
- Differences in the costs of various learning programs, and levels of education, e.g., high schools, middle schools, and elementary schools; and differences in cost in providing full-service schools vs. online education.
- A differentiated funding system could also pay more for more robust learning programs that arguably deliver more in terms of outcomes by blending and accelerating secondary and postsecondary learning. Early colleges, middle colleges, IB, dual and concurrent enrollment programs, many CTE and STEM programs; all support high school students in earning post-secondary credits and credentials. These programs are very effective at increasing postsecondary credential attainment rates for both at-risk and high achieving students. Differentiated funding that provided more per-pupil resources for these programs, would also deliver the needed financial incentive for high schools and post-secondary institutions to encourage and facilitate more students participating in these programs.

As was successfully done in Massachusetts, a short-term expert and education stakeholder commission could be charged to design a new differential funding formula based on research, and experience with costs, strategies and learning models, and their impact on student learning and outcomes.

### Invest in Proven Strategies for School Improvement

Michigan has made many reforms, but has not coupled these reforms with research-based instruction and organizational improvements. Michigan should include in a revised funding formula enhanced resources to support student learning growth and success that are accompanied by clear performance expectations and strong accountability. One such strategy would be a discretionary grant program for districts needing improvement who implement one of a number of strategies determined by the MDE proven to improve instruction, school climate/culture, and academic outcomes (such as Michigan Teacher Core, and Multi-tiered systems of support (MTSS) that incorporates high leverage and personalized instruction). Such a program should include independent evaluation of their success to support improvement and replication.

### Invest in Teachers and Early Childhood

The effectiveness of the classroom teacher, and quality early childhood education are the strongest drivers of learning gains, particularly for poor and at-risk students. Leading states like Minnesota provide high quality preschool education to all, at a sliding fee scale based on incomes. Central to Massachusetts march to first-place in education outcomes, was investment in the development and retention of talented educators, and support for collaborative professional development focused on local needs, like closing persistent achievement gaps, and using data to improve performance.<sup>18</sup> Michigan must continue to expand quality early childhood education, and make a budget priority of teacher/educator preparation, support, and professional growth as powerful levers to increase student achievement.

### Couple Reforms with Capacity-Building

Ensure significant education reforms and new demands (e.g., new standards, new teacher training and evaluation) are accompanied by sufficient resources to build capacity of schools and educators to adapt and effectively implement reforms. Florida has invested heavily in teacher training in support of early reading reforms. Tennessee has invested to train 70,000 teachers to implement the Common Core. Michigan must combine current reforms (new standards, teacher evaluations), and future reforms with requisite investment in their implementation to support success. Michigan should also invest in capacity and technical assistance to district administration and principals on how they can use all funding streams (including those outside traditional school finance, e.g. Health and Human Services), as well as the existing flexibility in state and federal funding, to achieve better outcomes.

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<sup>18</sup> Readiness Centers Initiative. <http://www.mass.gov/edu/government/special-initiatives/education-for-the-21st-century/commonwealth-readiness-project/readiness-goal-2-educators-and-leaders/readiness-centers/readiness-centers-initiative.html>

## ***Reform Choice and Charter Policy***

Michigan's open-ended approach to charter and cyber schools and expansive choice policy, unfolding in an environment of overall declining enrollments, have had negative repercussions on almost all schools. More than 70 charter schools have opened since 2011, and additional cyber schools.<sup>19</sup> Michigan should develop a reformed approach to school finance, school choice, and charter policy that accomplishes several things:

- Create a community driven "certificate of need" process, particularly in major urban school markets where charters and choice-making are most prevalent, and schools may open and close in a non-strategic manner. Such a process should attend to issues of neighborhood and community needs, provide greater transparency in school site decision making, and ensure equal access and opportunity to attend a quality school, by accommodating transportation needs (as in major metropolitan communities in other states with similar school choice and charter dynamics).
- Soften the financial impact of changes in enrollment patterns driven by choice-making. This could be accomplished by gradual, not total reduction in foundation grant funding when new choices are made; or changes in foundation grant allotment for choosing "home" versus neighboring schools.
- Make changes to Michigan school law ensuring equal transparency, clear accountability, and quality control for all schools as well as any Education Management Company that operates under a sweep contract, as previously recommended by the State Board of Education[1].<sup>20</sup>.

## ***Fix "Flaws" in Proposal A and Emerging Financial Issues***

A state mechanism to support financing of vital school capital, infrastructure and technology that supports all schools and districts. Michigan is one of only 12 states that provide no aid to local districts for capital projects; and the greatest needs are in property poor districts that continue to lose students to schools of choice.<sup>21</sup> Reform strategies could include a state equalization of local district capital outlays<sup>22</sup>; or a proposal offered by Proposal A architect Doug Roberts and David Olmstead, to dedicate an additional 10% to the foundation grant for capital expenses.

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<sup>19</sup> Ed Trust-Midwest conducted an analysis of charter school expansion using data from the Michigan Educational Entity Master. <http://www.cepi.state.mi.us/eem/PublicDatasets.aspx>

<sup>20</sup> Reference State Board Action on Charter Policy – August 2014

<sup>21</sup> Addonizio, Kearney, Presentation to State Board of Education, February 11, 2014

<sup>22</sup> Addonizio, Kearney, Presentation to State Board of Education, February 11, 2014

Create a functional mechanism to allow local districts to effectively raise additional local revenues without recreating significant inequities between districts. Proposal A architects thought they had created an option for raising additional local revenues for education; the current law that allows enhancement millages at the ISD level, but not at the district level. This ISD regional enhancement option has only been used three times since the adoption of Proposal A and has proven politically ineffective as a means for raising local resources for education enhancement.

Strategies to consider include reinstatement of local district enhancement millage, a district being allowed to vote an additional operational millage on local property for a specified number of years, that will be equalized by the state at 80 percent.<sup>23</sup>; or allow local school districts to pass an enhancement millage with the constraint that no school would receive net revenue per student exceeding the amount consistent with average property wealth in the intermediate school district (ISD); “excess” resources raised by high property value districts would augment funding for low-property wealth districts who also passed an enhancement millage<sup>24</sup>.

Policy that attends to significant and growing disparities in special education funding and services between districts. Policy response needs to include a centralization of additional state-raised resources and reduced reliance on local property taxes to “lift the bottom” and better equalize ratios.

Revise tax provisions around “new” and “existing” property to create comparable values and revenues for education. After Proposal A, property tax growth was limited to the lesser of 5% or the rate of inflation each year. Property tax rates adjust to 50% of the value of a home upon its sale, creating inequities among taxpayers, and a large tax increase or “pop-up” tax for homeowners who move. The Headlee Amendment requires that property tax rates be “rolled back” when the growth in assessed value exceeds inflation. Combined, these restrictions limit the growth in property tax revenues dedicated to schools. Reforms could revise these provisions around the tax treatment and timing of treatment for comparable properties.

Additional steps to solidify pension system and stabilize its costs. MPSERS employer required contribution rate has increased from 13% in FY2004 to 24.46% in FY2012. According to the House Fiscal Agency state contributions to MPSERS may consume all of the projected growth in the school aid fund for several years. Steps to manage this crisis could include all certified new teachers enroll in MPSERS pension system, and shift unfunded accrued liability (UAL) costs from school payrolls to employers current operating expenditures (COE) which can keep the retirement costs with the employer who incurred them.

Adopted December 16, 2014

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<sup>23</sup> Addonizio, Kearney, Presentation to State Board of Education, February 11, 2014

<sup>24</sup> Glenn Nelson, Refinement Plan for Enhancement Millage, Ann Arbor Schools; other educators have similar proposals.

## RESOLUTION

### DR. JOSEPH MARTINEAU

LET IT BE KNOWN, Dr. Joseph Martineau has served Michigan students and educators as Deputy Superintendent of Accountability Services, Executive Director of the Bureau of Assessment & Accountability, Director of the Office of Educational Assessment and Accountability, Manager of General Populations Assessment, and a Psychometrician of the Michigan Department of Education since 2004; and

WHEREAS, Joseph earned his Bachelor of Arts Degree and Master of Science Degree from Brigham Young University and his Doctorate of Philosophy from Michigan State University; and

WHEREAS, Joseph has demonstrated integrity in his work and has been a reliable, hardworking colleague, supervisor, and contributor to every aspect of education in the State of Michigan. From a member of the Michigan Council on Educator Effectiveness; a Board member of the National Council on Measurement in Education; and Co-Chair of multi-state assessment consortium, Joseph has shown a commitment to effectiveness and innovation that goes unmatched; and

WHEREAS, Joseph's knowledge, leadership, and guidance have truly made a difference for his co-workers, Michigan students, and Michigan educators; and

WHEREAS, Joseph's expertise in assessments and psychometrics is recognized, respected, and sought after nationally; and

WHEREAS, Joseph, along with his wife Cindi, will continue to guide their children, Nathan, May, Elijah, Sariah, and Brigham, so they too, will continue to make a difference not only in their future, but the future of others around them; and

WHEREAS, Joseph has announced his departure from the Michigan Department of Education effective on January 2, 2015; now, therefore be it

RESOLVED, That the State Board of Education receives with deep regret the news of departure of this honored and distinguished leader; and be it further

RESOLVED, That the State Board of Education thanks Joseph for his contributions and years of dedicated service; and be it finally

RESOLVED, That the State Board of Education wishes Dr. Joseph Martineau a future full of professional success, as well as laughter, happiness and good health with family and friends.